

IRS TAX TIP 2001-6

DON'T OVERLOOK HOME MORTGAGE POINTS

WASHINGTON -- Did you buy or build a new home in 2000? Many new homeowners don't know they can deduct points paid on home mortgage loans. The IRS reminds homeowners this can really pay off because some home mortgage points are fully deductible in the year they are paid.

To fully deduct mortgage points in the year paid, the following requirements must be met:

1. Your main home secures your loan.
2. Paying points is an established business practice in your area.
3. The points paid were not more than the amount generally charged in that area.
4. You use the cash method of accounting. This means you report income in the year you receive it and deduct expenses in the year you pay them.
5. The points were not paid for items that usually are separately stated on the settlement sheet, such as appraisal fees, inspection fees, title fees, attorney fees, and property taxes.
6. You used your loan to buy or build your main home.
7. The points were computed as a percentage of the principal amount of the mortgage.
8. The amount is clearly shown on your settlement statement.
9. The funds you provided at or before closing, plus any points the seller paid, were at least as much as the points charged. You cannot have borrowed the funds from your lender or mortgage broker.

More information on buying, owning or selling a home is available from the IRS. Call 1-800-829-1040 or look for more information on the IRS Web site at www.irs.gov. Publication 530, "Tax Information for First-Time Homeowners," and Publication 936, "Home Mortgage Interest Deduction," are available on the Web site.